Table of Contents

Letter to the Treasurer	1
Chairman's Commentary	2
The Past Twenty Years	4
Current Council Members	7
Council Members 1980 - 1982	10
Work Completed	11
Research in Progress	14
Conferences and Seminars	16
About the Council	17
Council Staff	17
The Ontario Economic Council Act	18

© Ontario Economic Council 1983
Printed in Canada
ISSN 0383-4719

1 9 8 2

TWENTIETH ANNIVERSARY REPORT

Ontario
Economic
Council

Ontario

81 Wellesley Street East
Toronto, Ontario
M4Y 1H6

(416) 965-4315

November 1982

Honourable Frank W. Miller,
Treasurer of Ontario and
Minister of Economics,
The Frost Building South,
Queen's Park,
Toronto, Ontario

Dear Mr. Miller

I have the honour to transmit herewith my statement on the activities of the Ontario Economic Council for the two year period ending March 31, 1982.

Sincerely,

Thomas J. Courchene
Chairman

Chairman's Commentary

Thomas J. Courchene
Chairman
1982

The year 1982 marks the 20th anniversary of the Ontario Economic Council. In submitting this, my first annual report, I am particularly pleased to be able to include some reflections from former chairmen on the role and development of the Council over these twenty years. Their encouragement and counsel have been of great assistance to me during the past few months. It is also a great pleasure to thank David Smith, the deputy chairman, and all the members and staff of the Council who have worked so hard to ensure that the Council is fulfilling its responsibility to the people of Ontario.

The Council's mandate is to contribute to public awareness, discussion, and understanding of socio-economic issues that have special significance for the people of Ontario. Specifically, it is charged with advising on ways to encourage the maximum development of human and material resources in Ontario, to promote the advancement of all sectors of Ontario, and to foster conditions for the realization of higher standards of living for the people of Ontario. In order to fulfil this role the Council engages in two general sorts of activities, (a) researching and publishing studies on those issues that are deemed by the Council to be of importance to the province, and (b) holding seminars and conferences designed to stimulate public awareness of socio-economic issues. Our recent activities in these related areas will be detailed later in this report.

It is probably appropriate to elaborate further on the Council's approach to research. First of all, the Council has, in my opinion, achieved an enviable research record over the years. It is true that on occasion our studies can tend to be somewhat technical in nature. Some of this is unavoidable — certain subject areas are

intrinsically so complex that meaningful research requires a degree of precision that can come only from quantitative and analytical sophistication. In this regard, it should be pointed out that the undergraduate and graduate reading lists in Canadian, let alone Ontario, universities incorporate a growing number of Council studies. This too, is part of our contribution to the policy debate. Nonetheless, the Council is sympathetic to this concern and will endeavour to ensure that our research becomes more accessible to a broader range of Ontarians.

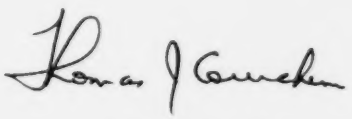
Relatedly, it should be emphasized that the detailed recommendations that appear in the authored published research are the responsibility of the individual authors and do not necessarily reflect the views of the Council. The role of the Council is to provide guidance in terms of the general areas that ought to be researched. The decision to sponsor publication of particular research studies is based on their competence and relevance to public policy and is made with the advice of anonymous referees who are expert in the area.

It is probably fair to say that the Ontario Economic Council has traditionally focused on policy issues that are somewhat beyond the immediate concerns of the government of the day. This general approach has been modified somewhat with our decision to develop more consensus documents reflecting Council views and recommendations on questions of pressing importance. We have recently implemented this new approach with respect to the June 1982 federal White Paper, *Inflation and the Taxation of Personal Investment Income*. The Council commissioned three background studies and held a small conference where these studies were evaluated by selected discussants. On the basis of this background research the Council developed its consensus document. It is probably too early to evaluate fully this new initiative, but our initial response is that it is an effective vehicle for bringing Council views to bear on issues in a timely and relevant manner.

Over the past decade or so the Council's research has focused largely in four areas — education, health, housing and social security. Attention was directed toward considerations such as program design, universality, administration, incentives, and equity. This was particularly appropriate as a research thrust given the substantial increase in public expenditure in these areas. Times have changed, however, and so has our research focus. We are now giving increasing priority to the general area of industrial policy both in terms of its implications for Ontario industry, and in terms of Ontario's role within the Canadian and world economy. This emphasis on industrial policy will maintain its current high priority for the next year at least. What lies beyond has not as yet been determined. But I will do my utmost to ensure that the research design and implementation are directed toward issues that are both policy-relevant and timely.

Finally, the Ontario Economic Council Act allows the Lieutenant Governor in Council to assign specific duties to the Council. In his May 13, 1982 budget, the Treasurer of Ontario asked the Council to investigate and report on the economic implications that would arise if Ontario were to withdraw from the Tax Collection Agreements and to establish its own personal income tax system. This is a new and exciting challenge for the Council. We certainly hope that our background studies and our consensus document will make a useful and positive contribution to the discussion and debate on this issue. The Council is to report to the Treasurer and the people of Ontario in December of this year and we are now deeply engrossed in the examination of this issue.

I hope that you will find the range of our activities outlined below to be useful and relevant to the policy making process in Ontario. As usual, all council members welcome suggestions relating to what we are, or ought to be, doing.



Thomas J. Courchene
October 1982

The Past Twenty Years

The Ontario Economic Council celebrates its twentieth anniversary this year. It is the oldest economic and public policy research group in Canada. To mark the occasion, we asked some of those who have been responsible for the Council's direction in the past to look back and give us their perspective on the role and work of the Council over the years.

Stanley J. Randall,

Chairman

February 1962 to November 1963

The concept envisioned for the formation of the Council was originated by the Hon. Robert McCaulay, Minister of Trade and Development in the government at that time. I had been active on behalf of the Federal Trade Minister, the Hon. George Hees, in the promotion of exports abroad. Mr. McCaulay invited me to consider serving the province as Chairman of the new Council, and I accepted.

The main objective in forming the Council was to obtain independent views on the many facets of the province's economy. To achieve these independent opinions, appointments to the Council were representatives from labour unions, industry and science, academic and farm organizations. Certainly, these members had a great diversity of opinions and Council reports forwarded to the government indicated the tremendous amount of personal time and sacrifice each member contributed so freely.

Subjects examined in great depth over the period I served as Chairman included job creation for the province's work force, the pulp and paper industry, hydro development and rates, brown coal prospects at Onakawana, tourist development, agriculture and taxes and a host of other matters that had significance in the province's economy. Special reports for specific ministers were passed on to the Council for consideration, if the ministers felt they wanted an independent view, which I am confident served a very useful purpose. The monthly publication of the Ontario Economic Report was widely read and quoted by the media when discussing the state of the province's economy and its future potential growth.

I personally regard my association with the Council and its many members over the past years as very productive and rewarding. May I take this opportunity to express my appreciation to every past and present member of the Council and to wish that, in celebrating the Council's 20th birthday, it will continue to draw men and women to its cause in the years to come, so they that follow may make their contribution to the welfare of this great province.

William H. Cranston,

Chairman

December 1963 to March 1971

The Council wishes to acknowledge the contribution made by William Cranston. During Mr. Cranston's tenure, research was directed at the environment, forest policy, municipal reform, industrial location, and labour market issues. William Cranston was a dedicated and valuable member of the Council. He passed away in the spring of 1977.

James M. Gillies,

Chairman

June 1971 to July 1972

In 1971 when I was appointed Chairman of the Ontario Economic Council, the need for a forum for effective consultation among business, labour and government was just beginning to be understood. I undertook to make the Council an instrument through which various members of the business and labour communities could put forth their views about a variety of economic topics. The method I employed was to bring rather large groups — over 30 — of labour and business leaders to dinners where current problems could be discussed. For example, at that time there was great concern about some radical changes in United States trade policy and the impact which it might have in Ontario. The significant elements of the discussion which took place at the meetings were transmitted to the Provincial Treasurer for his consideration.

Unfortunately, this process was only beginning when I left the Council. It was my intention, however, to make the Council a major vehicle for sounding out in an informal way the view of the leaders of the business and labour communities in Ontario.

Concomitant with this development was a re-ordering of priorities of research. The

significant budget analysis, tax reform studies and northern Ontario development projects which had been under way in the Council for some time were coming to completion. Consequently, I convened a meeting of the chairmen of Departments of Economics of universities in the Province of Ontario as a first step in preparing an inventory for research that the Council might profitably support in the interests of the people of Ontario. From that meeting began a liaison with the resources in the universities, which I think was built upon and carried forth by the Council.

I view my year with the Council as very much a transition one for the organization. My goal was to broaden the research base through utilization of resources in the institutions of the province but to be certain the research was relevant by testing its appropriateness with business, labour and government leaders. Finally, I viewed the Council as a useful conduit for transmitting the concerns of the leaders of the business and labour community to the government of the day. I am pleased that some of these ideas developed a decade ago have governed the important work of the Council throughout the years.

Dr. W. Donald Wood,

Acting Chairman

August 1972 to June 1973

I have very warm memories of my service on the Ontario Economic Council from 1965 to 1973 under two distinguished chairmen, the late Bill Cranston, and Jim Gillies, now in the Faculty of Administrative Studies at York University. My brief term as Acting Chairman (1972-73) was prompted by the resignation of Jim Gillies to enter federal politics and his subsequent impressive record of achievement in Ottawa. With outstanding support from all Council members and from secretary Ian Butters the Council carried forward its responsibilities during this "holding" period until a new permanent chairman was appointed, the widely recognized economist Dr. Grant Reuber from the University of Western Ontario.

Bodies such as the Council do change over time and are shaped considerably by the environment and the issues of the period, the composition of their membership, and the energy and priorities of their leadership. During my tenure I was much impressed by the valuable role of an independent body such as the Council and its contributions to many facets of the economic and social life of the province. These included the provision of information and analysis for more informed public debate, specific policy recommendations for public consideration, and informal discussions with government departments and agencies generally creating a better understanding of important issues of the day. There also was the cumulative impact of Council activities through the individual contacts of Council members both in their own organizations and also in the broader world of affairs.

I was always very impressed with the dedication and broad range of competence of Council members, who were drawn from diverse sectors of the Ontario economy. The collective knowledge they brought to Council discussions together with their conciliatory approaches in reconciling differences provided a case study of effective and co-operative decision-making. And we also very much treasured the friendship of members in carrying out these responsibilities. So in this 20th Anniversary year, I send warm greetings to former Council colleagues and to the present Council, already with an impressive record. I extend best wishes for much success as they chart Council's future course in very troubled and difficult waters!

Grant Reuber,

Chairman

October 1973 to November 1978

One of the most striking changes in our society during the past three decades has been the enormous change in the size and scope of government at every level. This in turn has greatly increased concerns about the effectiveness, efficiency and equity of government policies. In addition, the vastly enlarged role of government has increased the importance and difficulties of intergovernmental co-operation and co-ordination as well as the relationship between the public and private sectors. And in a world much more influenced by collective action through governments, many age-old issues for democratic societies have been re-emphasized — issues such as human rights, individual freedom, the rights of minorities, limits on the power of interest groups and the electoral process itself.

Institutions like the Ontario Economic Council have arisen in Canada in recent decades largely in response to the issues posed by the enlarged role of government. Some have been funded privately, others publicly, and still others through a mixture of both. The success of these institutions has depended not only on the level of support provided and the calibre of their staffs,

but also on their independence and objectivity whatever their source of funds, their ability to focus attention upon and illuminate the leading issues of the day and their ability to communicate effectively with the public.

When judged in these terms, the record of the Ontario Economic Council compares quite favourably with that of similar institutions in Canada and elsewhere. Although its influence on specific policy measures is inevitably difficult to discern, I believe the Council has had quite a beneficial influence on the general evolution of policy over the years in Ontario and in Canada in a number of policy areas. Furthermore, to its credit and to the credit of the Ontario government which spawned it and continues to support it, the Council has successfully maintained its integrity and independence.

An anniversary invites speculation about the future. No one can say what is in store. One thing seems clear however. Big government and the issues associated with big government will be with us for a long time to come. Indeed, public policy issues may be even more important tomorrow than they are today. Institutions like the Ontario Economic Council will continue to have a vital role to play if we are to have not only big government but also reasonably good government.

Thomas E. Kierans,

Chairman

November 1978 to December 1981

It was my predecessor, Grant Reuber, who suggested that the Council undertake a thorough review of past activities and an assessment of its future directions. This was begun in early 1979 under the direction of Jalynn Bennett, a member of the Council. Between 1973 and 1978, the Council had focused the bulk of its attention on Provincial expenditure programs, such as Health, Education, Housing and Welfare. As the Bennett report made clear, however, the time had come to shift focus and concentrate on new areas.

As a consequence, detailed work was commissioned in the area of energy and trade, and a study was undertaken on the consequences of stagflation. In addition, the ground work was laid for a detailed examination of the impact of international trade developments, both tariff and non-tariff, on Ontario's industrial infrastructure; an examination of the policy implications was then begun.

During this period, as well, the Council sponsored conferences dealing with the policy analysis initiatives undertaken. In general, the content of the papers presented to the conferences was of high quality and fairly technical. The proceedings were public and, I believe, made a meaningful contribution to informed discussion of the issues.

In addition, the Council began to expand the publication of its Discussion Paper Series. This allowed it to put into the public domain more immediate comment on emerging public policy issues, where it was judged that commentary by informed observers could contribute materially to the debate.

The Council, per se, continued to function much along the lines established in previous years. Council members contributed much time and energy, particularly in sub-committees, to monitoring the progress of the various initiatives. Council staff, under the direction of Dr. Lorie Tarshis and, subsequently, Dr. Douglas Hartle, eminent Research Directors both, played an important role.

By 1981, as the Council looked forward to its twentieth year, it could also look back with pride. The oldest economic and public policy research group in Canada, it had established a solid reputation, founded on an academically credible body of research work and a commitment to transmit the results intelligibly to the public.

Retrospectively, I judge the Council's watershed to have been reached in 1973. In that year the Ontario Government increased its support of the Council's work and appointed Grant Reuber as Chairman, to fulfil its broadened mandate. Both decisions worked out splendidly.

Gerard R. Beaulieu

Administrator of the Seafarers' Training Institute, former Director of Personnel Development for Canada Steamship Lines Group.

Jalynn H. Bennett

Financial Vice-President, Canadian Equities, The Manufacturers Life Insurance Company, member of the Consultation Committee to the Minister of Finance on the Taxation of Personal Income.

W. Lyle Black, M.D.

Greig Medical Group, Bracebridge.

Gail C. A. Cook

Executive Vice-President of Bennecon Ltd., Management Consultants, former Executive Vice-President of C. D. Howe Research Institute. Member of Board of Directors of The Manufacturers Life Insurance Company, The Consumers' Gas Company Ltd.

Thomas J. Courchene

Chairman of the Ontario Economic Council and Professor of Economics at the University of Western Ontario.

E. Gerard Docquier

National Director for Canada of the United Steelworkers of America, Vice-President of the Canadian Labour Congress.

Current Council Members — (continued)

John Grant

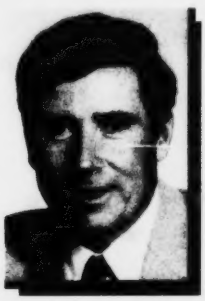
Director and Chief Economist of Wood Gundy Limited.

William A. Jones

Secretary-Treasurer of the Ontario Teachers' Federation, Vice-Chairman of the Board of Governors of the Ontario Institute for Studies in Education.

Robert W. Korthals

President of The Toronto-Dominion Bank, Chairman of Tordom Corporation.



William Mackness

Vice-President and Chief Economist of the Bank of Nova Scotia.

Samuel A. Martin

Professor and Past Chairman, Finance-Economics Area, School of Business Administration, University of Western Ontario.

Elizabeth Parr-Johnston

Manager, Macro Environment, Corporate Strategies, Shell Canada Limited, member of the Boards of Directors of the Dellcrest Children's Centre and The John Howard Society of Ontario.

Clifford G. Pilkey

President of the Ontario Federation of Labour, provincial Vice-President of the Canadian Labour Congress, member of the Board of Directors of the Niagara Institute.

Bruno R. Rubess

President of Volkswagen Canada Inc., Director of the Automobile Importers of Canada.

Murray Rumack

Partner in Clarkson Gordon, Chartered Accountants and Management Consultants.

David C. Smith

Deputy Chairman of the Ontario Economic Council, Professor and former Head of the Department of Economics, Queen's University.

Clayton M. Switzer

Dean of Agriculture at the University of Guelph, President-Elect of the Agricultural Institute of Canada.

Donald J. Taylor

Executive Vice-President of Shell Canada Limited and President of Shell Canada Products Company. Director of Interprovincial Pipe Line Limited, Lakehead Pipe Line Company Inc., and the Niagara Institute.

David M. Winch

Professor and former Chairman of the Department of Economics at McMaster University.

Council Members 1980 - 1982

Gerard R. Beaulieu[e]
Administrator
Seafarers' Training Institute
Morrisburg

Jalynn H. Bennett[d]
Financial Vice-President
Canadian Equities
Manufacturers Life Insurance Company
Toronto

W. Lyle Black, M.D.[e]
Greig Medical Group
Bracebridge

Gail C. A. Cook[f]
Executive Vice-President
Bennecon Limited
Toronto

F. Stewart Cooke[b]
Director District 6
United Steelworkers of America
Toronto

Thomas J. Courchene[e]
(Chairman)
Professor of Economics
University of Western Ontario
London

E. Gerard Docquier[e]
National Director
United Steelworkers of America
Toronto

John Grant[e]
Director and Chief Economist
Wood Gundy Limited
Toronto

E. Lynn Hollingsworth[a]
Vice-President
Soo Mill & Lumber Company Limited
Sault Ste. Marie

William A. Jones[d]
Secretary-Treasurer
Ontario Teachers' Federation
Toronto

Thomas E. Kierans[b]
(Past Chairman)
McLeod Young Weir Limited
Toronto

Robert W. Korthals[f]
President
The Toronto-Dominion Bank
Toronto

William Mackness[e]
Vice-President and Chief Economist
The Bank of Nova Scotia
Toronto

Samuel A. Martin[e]
Professor
School of Business Administration
University of Western Ontario
London

William F. McCormick[a]
President
Glen Highland Holdings Limited
Cambridge

J. Clunas McKibbon[a]
Corporate Actuary
London Life Insurance Company
London

Elizabeth Parr-Johnston[f]
Manager, Macro Environment
Corporate Strategies
Shell Canada Limited
Toronto

Clifford G. Pilkey[e]
President
Ontario Federation of Labour
Toronto

Brady Reaume[a]
Publisher
Tottenham News
Tottenham

Bruno R. Rubess[e]
President
Volkswagen Canada Inc.
Toronto

Murray Rumack[e]
Partner
Clarkson Gordon
Toronto

A. Edward Safarian[b]
Professor
Department of Economics
University of Toronto
Toronto

David C. Smith[d]
(Deputy Chairman)
Professor
Department of Economics
Queen's University
Kingston

J. Andrew Stewart[b]
President
J. A. Stewart Limited
Ailsa Craig

Clayton M. Switzer[e]
Dean of Agriculture
University of Guelph
Guelph

Donald J. Taylor[f]
Executive Vice-President
Shell Canada Limited
Toronto

Edward T. Williams[a]
Business Agent, Local 524
United Electrical Radio and Machine Workers of America
Peterborough

David M. Winch[d]
Professor
Department of Economics
McMaster University
Hamilton

Term Expires

a December 1980
b December 1981
c December 1982
d December 1983
e December 1984
f December 1985

During the past two years, the Council published research studies and papers dealing with macroeconomic policy, labour markets, urban affairs, health issues, and social security. As well, the Council published commentaries on the Report of the Royal Commission on the Status of Pensions in Ontario (the Haley Report), the Report of the Royal Commission on Health Services (the Hall Report), and the new Canadian Charter of Rights and Freedoms.

Labour Markets

Two studies in this field deal with wage inflation and with shortages of skilled workers.

In an attempt to determine the sensitivity of public sector wages to labour market conditions, one study, *Public Sector Wage Inflation in Ontario,* looks at wages in education, health, local and provincial government in Ontario, comparing wage settlements in the public and private sectors before and after the Anti-Inflation Board came into existence.

Economic Analysis of Labour Shortages: the case of tool and die makers in Ontario looks at the continuing shortage of skilled tool and die makers in Ontario, despite high unemployment for workers generally. Imbalance of supply and demand for workers in this particular occupation has persisted for quite some time, and the normal functioning of the labour market has not been able to correct the imbalance. The study produces a diagnosis of the problem and makes policy recommendations to improve the situation.

Three other studies published during this period deal with various aspects of unemployment. One report, *Unemployment Insurance and the Work Effort: Issues, Evidence and Policy Directions,* concludes that frequent allegations that the Unemployment Insurance Program leads to an increase in the overall unemployment rate are based on ambiguous evidence. The study suggests that the income replacement provided for those who lose their jobs may help to maintain total demand for goods and services, thus offsetting any additional unemployment that might be attributed to the availability of benefits under the program.

Another report, *Unemployment Among Young People and Government Policy in Ontario,* reviews more than 30 youth employment programs according to different criteria. The study argues that the key policy question is whether or not the array of youth employment programs can be adjusted to the rapidly changing conditions of the labour market. As the percentage of young people in the population diminishes, policy may have to move away from programs to help new workers enter the labour force and focus on developing plans to help with re-entry, upgrading of skills, and eventual withdrawal from the labour force into early retirement.

Permanent Layoffs: Some Issues in the Policy Debate recommends more support for programs that increase the mobility of laid-off workers. The study analyses the economic justification for government intervention in plant closings or cutbacks and says that in view of the current environment of slow growth and high unemployment, more research is urgently needed to assess the economic efficiency of policies designed to ease the impact of layoffs.

Public Sector Wage Inflation in Ontario,
D. Auld and D. Wilton.
Economic Analysis of Labour Shortages: the case of tool and die makers in Ontario,
N. M. Meltz.
Unemployment Insurance and the Work Effort: Issues, Evidence and Policy Directions,
D. P. J. Hum.
Unemployment Among Young People and Government Policy in Ontario,
M. Gunderson.
Permanent Layoffs: Some Issues in the Policy Debate,
R. S. Saunders.

Urban Affairs

Studies in this field cover fiscal reform at the municipal level as well as an analysis of Ontario's rent control program and housing policy.

Three papers on municipal fiscal reform, issued as one publication, *Municipal Fiscal Reform in Ontario: Property Taxes and Provincial Grants,* discuss various aspects of property taxes. One paper questions the assumption that these taxes should be based on the market value of properties. It discusses the problems involved in determining the fairness of the system and proposes various property tax reforms. A second paper analyses the long-run consequences of tax reform and recommends the implementation of market value assessment. The third paper evaluates Ontario's current municipal grant structure and recommends simplification along with property tax reform.

Rent Control and Options for Decontrol in Ontario is a study of Ontario's current rent control program. It recommends retention, with modifications, of the Residential Tenancies Act for protection of tenant rights. But the study presents an economic analysis showing that continuation of rent controls will have a potentially harmful effect on the quality and quantity of housing stock. Phased decontrol is recommended, gradually raising the guideline rent increases until they are eliminated by the fifth year of the program.

Work Completed — (continued)

Housing Policy for the 1980s concludes that existing federal and provincial housing policies have reduced the efficiency of the housing market in Ontario and have given greater benefits to higher income people. The study finds that, contrary to popular perception, potential home buyers have not become worse off over the last decade. Rather than subsidizing the price of housing or giving special tax breaks to potential home owners, government policy should try to change the way houses are financed, the report argues.

Municipal Fiscal Reform in Ontario: Property Taxes and Provincial Grants,
J. Bossons, M. Denny and N. E. Slack.
Rent Control and Options for Decontrol in Ontario,
R. Arnott and N. Johnson.
Housing Policy for the 1980s,
G. B. Fallis.

Macroeconomic Policy

Three books discuss income distribution, policies to deal with stagflation, and industrial policy.

Current literature on income distribution is reviewed in *Distribution of Income and Wealth in Ontario: theory and evidence,* which serves as a reference source of income and wealth distribution data for Ontario as well as providing an evaluation of income distribution as a measure of economic well-being. While pointing out where distributional problems might exist, the study suggests that government policies to reduce economic inequalities might be more effective if they were based on individual lifetime earnings rather than current income figures which represent only one point on the lifetime income cycle.

A thorough discussion of some important economic issues is to be found in the two-volume publication of papers presented at a November 1980 conference on stagflation, held in Toronto. Focusing on supply-side policies, the papers deal with wage rates, taxes and transfers, and productivity in both Canada and the United States.

Current industrial policies in Ontario and Quebec are outlined in another study, which also discusses federal programs affecting both provinces. The study defines the often confused terms 'industrial policy,' 'industrial strategy,' 'industrial adjustment,' and 'industrial assistance' and attempts to explain the underlying rationale and apparent growth of interest in industrial policy in recent years. It is designed as a general background piece for several other follow-up studies on particular aspects of industrial policy in Ontario.

Distribution of Income and Wealth in Ontario: theory and evidence,
C. M. Beach, D. E. Card and F. Flatters.
Policies for Stagflation: Focus on Supply,
proceedings of a conference.
Industrial Policy in Ontario and Quebec,
P. Davenport, C. Green, W. Milne, R. Saunders and W. Watson.

Health

As well as a detailed commentary on the Report of the Royal Commission on Health Services, (the Hall Report), the Council published three studies dealing with health and hospitals in the province.

One study, *Community Health Centres and Hospital Costs in Ontario,* develops a methodology for estimating the marginal costs of specific hospital cases. The costs can then be combined with information about hospital use, reported in studies of community health care subscribers. When this is compared with information on those who do not use health centres, it is possible to establish the expenditure implications of the hospital use data.

Income Class and Hospital Use in Ontario, using data for the 1974-75 period, looks at who used and benefited from Ontario's hospital insurance. In particular, the study examines how the use and benefits of OHIP were distributed across socio-economic classes and discusses the implications of the analysis for current and possible future health policy programs.

Health Care Costs for the Elderly in Ontario: 1976-2026 reviews health care costs for the elderly in Ontario since 1976 and makes cost estimates to the year 2026 based on demographic projections. Because of the way governments have approached health care services for the elderly, a much higher proportion of the elderly in Canada are in institutions compared with other countries. Better placement in appropriate types of care facilities could reduce costs, the study says, but alternative community services are often not available.

Community Health Centres and Hospital Costs in Ontario,
M. L. Barer.
Income Class and Hospital Use in Ontario,
M. L. Barer, P. Manga, E. R. Shillington and G. C. Siegel.
Health Care Costs for the Elderly in Ontario: 1976-2026,
C. P. Schwenger and M. J. Gross.

Social Security

Public policy on disability insurance, user charges for social services, and universality of income security programs are the subjects of three studies released during this period. The Council also published a commentary by three experts on the Report

of the Royal Commission on the Status of Pensions in Ontario (the Haley Report).

An economic analysis of the operation of markets for disability insurance *(Disability Insurance and Public Policy)* looks at alternative liability rules and compensation systems for Canada. The paper suggests that reform of disability insurance should include taxation of disability benefits and indexation of both public and private disability benefits.

The possibility of user charges for social services raises a number of issues which are addressed in *User Charges in the Social Services.* What kind of charges (full cost, less than full cost) are appropriate and under what circumstances? If less than full cost is charged, how can those charges be integrated across various services, meshing with the general welfare system? And how are work incentives retained? What user charges are being used now in Ontario and what charges might be envisioned? How would recommended charges alter the welfare of the various recipients in the province? And how would the cost to taxpayers change?

Another report, *Universal or Selective? The Debate on Reforming Income Security in Canada,* argues that making income security programs more selective instead of universal may give more money to the poor, but it may also transfer money to the wealthy because their taxes would be lower without the programs. The middle-income groups would be the net losers, this report says. It argues that a universal income security program may pay money to those who do not need it, but this does not mean it delivers net benefits to them.

Disability Insurance and Public Policy,
S. A. Rea, Jr.
User Charges in the Social Services,
M. Krashinsky.
Universal or Selective? The Debate on Reforming Income Security in Canada,
M. Mendelson.

Commentaries on Reports and Legislation

During the past two years the Council has made available expert views and commentaries on major reports and legislation. The Report of the Royal Commission on the Status of Pensions in Ontario (the Haley Commission) is analysed in three independent papers published in one volume. Although the authors' views vary on issues of pension plan funding and retirement benefits, they all agree that the Royal Commission Report was disappointing at best.

Commentaries on the Haley Report on Pensions includes a study which addresses the problems associated with mandatory money purchase pension plans and the regressive nature of the Royal Commission's proposals for a Provincial Universal Retirement System (PURS). The second paper makes a comparative evaluation of PURS and the Canada / Quebec Pension Plans, reviews the Inflation Tax Credit proposal, and deals with the Commission's discussion of cost identification and control. And the third focuses on the PURS proposal and the reform of occupational pension plans in Ontario.

Another study presents an analysis of the Canadian Charter of Rights and Freedoms, examining the nature of human rights, the Charter's history, the implications for egalitarian, linguistic, and mobility rights, and provisions affecting emergency powers. The paper outlines the possible consequences of the Charter for human rights in Canada, the position of the judiciary in the Canadian system of government, and the Canadian political culture.

Commentaries on the Hall Report contains two papers that focus on improvement of the health care system and examine aspects of the Report of the Royal Commission on Health Services. One paper deals with the public financing of health care in Canada, including trends, public economics, the federal-provincial dimension, and funding. The second paper outlines health program objectives and discusses policy issues of physicians' remuneration, accessibility, user charges, opting out, and extra billing.

Commentaries on the Haley Report on Pensions,
L. Ascah, R. Baldwin and J. Pesando.
The Canadian Charter of Rights and Freedoms, 1981,
D. Smiley.
Commentaries on the Hall Report,
R. M. Bird and R. D. Fraser.

Research in Progress

Research sponsored by the Ontario Economic Council, now in progress, will eventually lead to the publication of close to 40 studies on a wide range of topics. The work has important implications for policy, and the studies are expected to make a significant contribution to knowledge and understanding of a number of different issues.

Labour Markets and Employment

Six projects are under way in this field. Two of them deal with strikes. One looks at the cost of strikes for Canadian manufacturing industries, comparing the information, where possible, with the cost of strikes in similar industries in the United States. Surprisingly perhaps, this study finds relatively low costs of strikes in manufacturing during the period considered. Other research sets out to examine, from an economic perspective, the use of binding arbitration as a way of settling public sector industrial disputes about wages. The policy implications of various forms of settling disputes and establishing wages will also be discussed.

In the area of employment and training programs, a two-part study compares and evaluates these programs in Canada and the United States, providing some conclusions on the usefulness of evaluation projects and the design of survey data, as well as considering what lessons Canadian policymakers can learn from the United States experience. The study will present suggestions as to how Canadian programs should be structured and implemented.

Another paper focuses on human resources planning in the longer term, developing a general economic framework for the analysis of training and immigration programs which affect the quality of the labour force. The main contribution of this study is a macroeconomic simulation model which is used to trace through the long run effects of different levels of immigration and of investment in training.

The economic role of education in providing information in the labour market is the subject of another study. This report will present a new theory of education where the prime purpose of schooling is to match workers with the jobs for which they are best suited. The policy implications of this new theory will be discussed and its findings will be contrasted with those of other theories of education.

Health

One Council staff member is currently working on an economic analysis of Ontario's occupational health and safety legislation, drawing on standard economic models of safety and health as well as recent economic models of regulation.

Social Services

One focus of our ongoing research in this area will be the idea of using 'excess' earnings of pension funds to provide cost-of-living indexing for private pension plans. Another study examines the public policy issues of the personal social service system in Ontario.

Urban Affairs

Four research projects relating to urban affairs are now in progress. One deals with the theory and policy on urban transportation in the province, providing an economic analysis of urban transportation financing in Ontario. This study concentrates on the impact of subsidies.

A second study will examine possible longer-term changes in the structure of urban areas that might result from increases in the price of petroleum.

An economic analysis of shelter allowances is the subject of another study, which concentrates on the costs and benefits of such programs, while a fourth project looks at establishing the value of houses.

Government Regulation

Research in this field is expected to generate a three-part study of Crown Corporations. The first part will attempt to explain the extent to which public enterprises are represented in government budgets and in the economy's output of goods and services. A second study looks at Crown Corporations, exploring the boundary between public ownership, linked closely to the bureaucratic and political processes, and private sector regulation and programs of 'privatization.' The third is a case study of Gray Coach Lines, a typical public enterprise.

Four other studies are involved with various forms of government regulation. One presents an economic analysis of regulations dealing with the quality or safety of goods and services; another looks at markets for life insurance and the possibility of a larger role for government in helping consumers make their decisions. A third project will produce two studies discussing municipal intervention through licensing, using taxis and trucking as case studies. And a fourth project will examine regulation of the securities industry as part of a series of studies commissioned by the Council on regulation in the Canadian economy.

Intergovernmental Relations

Two studies are under way in this field. One will review the Canada Assistance Plan. The other is a more ambitious project embarked upon jointly with the Canada-U.S. Law Institute. It focuses on the degree to which Canada can be said to be characterized by an economic union or an internal common market. The papers provide analytical, quantitative, legal, and political perspectives.

Macroeconomic Policy

Five separate projects, now nearing completion, deal with macroeconomic policy issues. One study develops an empirical model designed to test the impact of commercial and industrial policy on Canadian manufacturing, with particular reference to Ontario.

A study of productivity, to be released shortly, is intended to serve as a survey for a broad audience of both academics and non-academics. It will discuss concepts and definitions as well as the problem of measuring productivity, and will also analyse historical trends in productivity, discussing the recent slowdown in productivity growth in Canada.

Research on the Ontario economy in the period 1982 to 1995 updates and extends earlier work undertaken by the Council. It develops a basic projection of the Ontario economy (a 'base case') given certain assumptions about energy prices, government policy, and the international economic environment. It is then possible to test the impact on the economy when some of these assumptions are changed.

Another project examines the impact of temporary and permanent tax changes, focusing on the response of consumers and producers when they perceive the changes as being either permanent or temporary. And a fifth study, also in progress, surveys developments in Canadian financial markets, contrasting the Canadian experience with that in the United States, and emphasizing the relationship between financial markets and real economic activity.

Industrial Policy

Research on industrial policy will result in a series of six studies covering the following subjects.

- The ability of government to correct failures of the market place.
- The intent, the content, and the impact of industrial policies in various jurisdictions in Canada.
- Policies in Ontario and Quebec to help workers in dying industries adjust to new realities.
- Arguments for picking and supporting winners as a way of developing a positive industrial strategy.
- The macroeconomic effects of industrial policy as analysed with the help of the University of Toronto's FOCUS-PRISM model, focusing on the impact of rising energy prices on industrial structure, the effect of broad-based as opposed to industry-specific policies, and the relationship between industrial and regional policy.
- The historical context of the current interest in industrial policy, utilizing the theoretical framework developed to evaluate industrial policy by examining the idea that households are producing as well as consuming units.
- A summary of the findings of the project as a whole, setting out guidelines for provincial industrial policy.

Three other projects also deal with industrial policy. One is concerned with the feasibility of industrial relocation as a device for solving the problems of regional disparity in Ontario. A second project discusses the experience of other countries in order to develop a framework for consideration of alternative approaches to economic and industrial strategy. And a third study, in two parts, analyses investment incentives such as subsidies, capital cost allowances, loan guarantees, and other forms of support.

Public Finance

Research in this area is concerned with public strategy and motion pictures, and discusses the choice of policy instruments to promote the Canadian film industry.

Conferences and Seminars

The Ontario Economic Council's mandate is to contribute to public awareness, discussion, and understanding of socio-economic issues that have special significance for the people of Ontario. The Council's program of conferences and seminars is an important part of this process. Three major conferences were held during the past two years.

Developments Abroad and the Domestic Economy

This conference, held in June 1980, resulted in the publication of a two-volume collection of papers and proceedings. Among the issues discussed were:

- the current state of Canadian-U.S. trade relations, the problems that will develop in the 1980s, and some possible solutions;
- basic economic trends likely to occur in western economies in the 1980s;
- the 'seemingly perverse' behaviour of governments which act to protect domestic industries adversely affected by long-term economic developments, yet fail to encourage development and expansion of those same industries when potentially beneficial developments occur;
- the possibility of some shrinking of the manufacturing sector in Ontario as a result of moving oil prices in Canada up to the world level;
- the need to address fundamental issues of interprovincial barriers to trade, barriers to the mobility of workers, and barriers to the flow of capital that have developed recently in Canada;
- Canadian interest in the Tokyo round of multilateral trade negotiations and the options this country might pursue;
- problems that trade barriers and foreign ownership raise for Canada as we enter the 1980s;
- to what extent can and should Canadian interest rates be insulated from U.S. interest rates and to what extent can and should Canadian national and regional energy prices be insulated from changes in world oil prices?
- the development of an industrial strategy for Canada.

Policies for Stagflation: Focus on Supply

At this conference, held in Toronto in November 1980, participants discussed the reasons for the current combination of low economic growth and high inflation ('stagflation') and criticized some current anti-inflation mechanisms which are already built into pricing decisions and wage settlements as well as the tax and transfer systems.

Expressing a variety of viewpoints, speakers argued that inflation indexing may have actually reinforced inflation; that correcting the 'stag' part of stagflation may involve easing up on the money supply while preventing interest rates from rising; that inflation will only be brought under control if governments make a long-term commitment to refuse to accommodate it by increasing the money supply and if the public realizes the government is determined to succeed.

Other speakers discussed collective bargaining and the sensitivity of wage settlements to labour market conditions; the impact of changes in Canada's tax and transfer systems on labour supply, capital formation, and price levels; and productivity declines in the United States economy.

A two-volume record of the conference was published in July 1981.

Outlook and Issues '81

The sixth annual outlook and issues conference, sponsored by the Ontario Economic Council, was held in Toronto in October 1981 and focused on the prospects for the Ontario economy for the period 1982 to 1995.

Among the topics addressed by various speakers were:

- the general outlook for the Ontario economy for the next decade;
- prospects for labour, secondary manufacturing, resources, finance, and government in the province;
- economic nationalism;
- an economic perspective on the energy agreement between Alberta and the federal government;
- recent productivity trends in the Ontario economy and the explanation for them;
- issues in the policy debate on permanent layoffs;
- the Report of the Royal Commission on the Status of Pensions in Ontario (the Haley Report);
- unemployment insurance and work effort.

Developments Abroad and the Domestic Economy,
2 volumes, November 1980.
Policies for Stagflation. Focus on Supply,
2 volumes, July 1981.

The Ontario Economic Council was established by a special Act of the Ontario Legislature in 1962 and was charged with the duty of advising the Executive Council of the Province on ways to encourage the maximum development of human and material resources; to support the advancement of all sectors of the provincial economy; and to foster conditions for the realization of higher living standards for the people of Ontario.

The Council conducts socio-economic studies and publishes research in any area it considers to be of concern. It is also expected to maintain contact with the Economic Council of Canada and other similar bodies. Part of the mandate set out in the Ontario Economic Council Act is to create an awareness and public understanding of provincial socio-economic issues by holding seminars and conferences. The Council is empowered to create any committees it considers desirable in order to carry out its objectives. As well, it is expected to undertake such other duties as may be assigned to it by the Lieutenant Governor in Council.

Council members are appointed by the Lieutenant Governor in Council and serve on an honorary basis for three-year terms. The Chairman, who is appointed for a three-year term, holds a part-time salaried position and is responsible for the day-to-day operations of the Council.

The Council meets at least five times a year. Its activities are organized into several committees so that Council members may participate at some depth in the administration of the Council and in the research program. Each Council member is on at least one of the committees. The Council Chairman and the Research Director and Executive Secretary are ex officio members of these committees.

The Committees are responsible for advising the full Council on the priorities within their respective areas. Apart from these duties, committee members take part in policy seminars, conferences, and other activities aimed at applying the basic knowledge derived from the research program to public policy issues of current importance.

The present management team consists of the Chairman (part-time), Thomas J. Courchene, the Research Director and Executive-Secretary (full-time), David W. Conklin, and the Administrative Officer (full-time), Sharon Wahl.

Thomas E. Kierans served as Chairman for the period November 1978 to December 1981 and Douglas G. Hartle held the position of Research Director and Executive-Secretary from October 1980 to May 1982. Dr. Hartle is currently acting as a consultant to the Council, along with Enid Slack, a former Research Officer, and John Ham of the Institute for Policy Analysis, University of Toronto.

The current research staff consists of:

Research Officers

Douglas Crocker
Lok Ho
Sandra Tychsen

Research Assistant

Aly Sy

The Council also wishes to acknowledge the contribution of the following support staff:

Ann Chin,
Librarian

Nancy Cole,
Secretary to the Research Director

Brenda Huff,
Publications Co-ordinator

Sheila Richardson,
Receptionist

Nancy Savoie,
Secretary to the Administrative Officer

The Ontario Economic Council Act

R.S.O. 1970, Chapter 309

Interpretation

1. In this Act,

(a) "Council" means the Ontario Economic Council;

(b) "Minister" means the member of the Executive Council designated by the Lieutenant Governor in Council to administer this Act. 1968, c. 82, s. 1.

Establishment

2. (1) The Ontario Economic Council is continued, consisting of not more than twenty-one members appointed by the Lieutenant Governor in Council, of whom one shall be designated as chairman. 1968, c. 82, s. 2(1), *amended*.

Power to contract and sue

(2) The Council may contract and may sue and be sued in its own name, and the members thereof are not personally liable upon any contract made by the Council. 1968, c. 82, s. 2(2).

Appointment, chairman

3. (1) The chairman of the Council shall be appointed to hold office for a term of not more than five years.

Members

(2) Each of the members of the Council shall be appointed to hold office for a term of not more than three years, except that of those first appointed not less than one-third shall be appointed for a term of one year and not less than one-third shall be appointed for a term of three years.

Reappointments

(3) A retiring chairman or other member of the Council is eligible for reappointment to the Council in the same or another capacity. 1968, c. 82, s. 3.

Duties of Council

4. It is the duty of the Council to advise and make recommendations to the Executive Council or any member thereof on methods for,

(a) encouraging the maximum development of the human and material resources of Ontario;

(b) supporting the advancement of all sectors of Ontario; and

(c) fostering conditions for the realization of higher standards of living for the people of Ontario. 1968, c. 82, s. 4.

Further duties of Council

5. The Council may,

(a) conduct socio-economic studies, in any area considered by the Council to be of concern;

(b) cause to be published such studies and reports as are prepared by or for the Council;

(c) co-operate and maintain liaison with the Economic Council of Canada and bodies in other jurisdictions corresponding to the Council;

(d) create awareness and public understanding of provincial socio-economic issues by holding seminars and conferences;

(e) create such committees as it considers desirable for the carrying out of its objectives; and

(f) undertake such other duties as are assigned by the Lieutenant Governor in Council. 1968, c. 82, s. 5.

Salaries: chairman

6. (1) The chairman of the Council shall receive such remuneration as the Lieutenant Governor in Council may determine.

deputy chairman

(2) The Minister may designate a member of the Council to be the deputy chairman who shall act in the absence of the chairman and may be paid such *per diem* allowance as the Lieutenant Governor in Council may determine.

members

(3) Members of the Council, other than the chairman and deputy chairman, shall serve without remuneration but all members shall receive their reasonable travelling and living expenses while absent from their ordinary place of residence in the course of their duties under this Act.

Remuneration for additional duties

(4) Notwithstanding subsection 3, a member of the Council, other than the chairman and deputy chairman, may for any period during which he performs, with the approval of the Council, any duties on behalf of the Council in addition to his ordinary duties as a member thereof, be paid such remuneration therefor as the Lieutenant Governor in Council may determine.

Staff R.S.O. 1970, c. 386

(5) Such officers and employees as are necessary for the proper conduct of the work of the Council may be appointed under *The Public Service Act*. 1968, c. 82, s. 6.

Meetings

7. (1) The Council shall meet at least five times a year at the discretion of the chairman.

Quorum

(2) A majority of the members constitutes a quorum of the Council. 1968, c. 82, s. 7.

Expenses of Council

8. The expenses of the Council in carrying out its objective shall be paid out of the moneys appropriated therefor by the Legislature. 1968, c. 82, s. 8.

POOR

QUALITY

ORIGINAL